

# AGENDA ITEM 10

## POLICY, FINANCE & ADMINISTRATION COMMITTEE

28 SEPTEMBER 2016

### REPORT OF HEAD OF CENTRAL SERVICES

#### BUDGET MONITORING APRIL TO JUNE 2016

#### 1.0 PURPOSE OF THE REPORT

- 1.1 To provide information on actual expenditure and income incurred on this Committee's services compared to the latest approved budget for the period 1<sup>st</sup> April 2016 to 30<sup>th</sup> June 2016.

#### 2.0 RECOMMENDATION

- 2.1 It is recommended that the financial position on each of this Committee's services 30<sup>th</sup> June 2016 be noted along with the year end forecast and;
- 2.2 It is recommended that £81,373.63 due to be received as a result of the successful prosecution of benefit fraud be transferred into the Spending Pressure reserve (para 3.9 refers).

#### 3.0 KEY ISSUES

- 3.1 As part of the Council's budget monitoring procedures all budget holders are asked on a quarterly basis to provide details of service and financial performance. Copies of the budget holders' returns are available for further information.

#### Overall Position

- 3.2 A summary of income and expenditure for all of this Committee's services is attached at Appendix A. This information has previously been circulated to Members as part of the Members' Newsletter.

	Approved Budget at June '16 £	April to June Budget £	April to June Net Exp £	Variance (Under)/over spend £	Year End Forecast £	Year End Variance (Under) / overspend £
General Expenses	6,922,520	1,929,496	1,008,792	(920,704)	6,819,200	(103,320)
Special Expenses	638,730	181,908	114,414	(67,494)	625,260	(13,470)
HRA Total Expenditure	8,266,900	1,067,716	706,125	(361,591)	8,314,700	47,800
HRA Total Income	8,018,920	2,000,584	2,005,538	(4,954)	8,054,920	(36,000)

#### Key Service Areas

- 3.3 The Key Service Areas report as at the end of July 2016 for all services is attached at Appendix B. This report is presented to the Management Team on a monthly basis and highlights the high risk budgets that were identified as part of the Council's budget protocols. These budgets are reviewed with budget holders monthly. Those budgets

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which are more complex in nature are supported by more detailed analysis of the service usage that drives the costs.

- 3.4 The overall position on the Key Service Areas shows a potential surplus of £368,980.
- 3.5 There are also a number of other budget variances identified on the budget action list, including those relating to Key Service Areas above, which are considered by the Council's Strategic Management Team on a monthly basis. As such the overall current predicted position, as at 31<sup>st</sup> July 2016, when taking into account all known variances and unused budget reduction money, shows a net underspend of £107,270.
- 3.6 A summary for all of this Committee's services is attached at Appendix C.
- 3.7 A summary of the income and expenditure for this Committee's services compared to the approved budget at June 2016 is as follows:

	<b>Approved Budget at June 16</b>	April to June Budget	April to June Net Expenditure	Variance (Under)/ over spend	<b>Year End Forecast</b>	<b>Year End Variance (Under) / overspend</b>
	£	£	£	£	£	£
<b>General Expenses</b>	<b>1,667,740</b>	305,010	425,070	120,060	<b>1,805,220</b>	<b>137,480</b>

### **Budget Variance Exception Reporting +/- £10k**

- 3.8 As part of the budget monitoring process, variances are being promptly and proactively managed, facilitating more detailed reporting. Details of the more significant year end forecast variations +/-£10k (as shown in Appendix A) are also set out below:

#### Overspends

##### Land Charges £19,330

£4k required to settle legal and interest costs associated with class action on searches to 2012, this may be supported by a grant from Central Government but this has not yet been announced. Shortfall in income £15k reflects the current use of the service.

##### Corporate and Democratic Core £19,000

Settlement payable following HMRC review of member's mileage claims, HMRC state home to Parkside should have been taxed. This is currently being challenged and therefore there is a potential that this will not be paid. Additional cost offset by £1k saving due to the Statement of Accounts no longer requires advertisement in the Melton Times.

##### Miscellaneous Financing Items £125,000

It is currently anticipated the transformation savings target included when the budget was set will not be achieved. The Strategic Director has provided some commentary on the progress against the targets savings as follows. In 2012/13 a figure of £200K was placed in the Medium Term Financial Strategy as a savings target for the transformation programme. This figure has fed through into the Council's budgeting processes with £75K budgeted to be achieved in 2015/16 and a further £125K budgeted to be achieved in the current year, 2016/17.

As a result of the work of the programme the £75K target for 2015/16 has been achieved and secured on a sustainable basis. £50K of this £75K has been achieved by reducing expenditure budgets, predominantly in customer services and the remaining

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£25K is in additional fee income in planning. It should be noted that the basis of using this additional fee income is that productivity improvements have enabled the Council to avoid having to take on additional administration resources to cope with the much higher volumes of planning applications that have occurred in the last few years. If those volumes were to return to previous lower levels, adjustments would need to be made to the staffing structures to ensure that the ongoing £25K per annum sustainable savings could be achieved. The productivity improvements made to date would enable that to happen.

In terms of the £125K in the current year this is extremely challenging to achieve. We are continuing to see a downward trend in customer demand and process reviews are moving towards less time being required to meet customer needs. All of this moves us in the right direction to achieve sustainable savings and there will be structural reviews taking place in the next couple of months which will take these factors into account. These new structures should be in place in good time for the start of the next financial year, but will deliver limited savings in the current year. It is expected that these new structures and other savings opportunities will contribute significantly to sustainable savings from the start of the 2017/18 financial year, the precise amount of which will be clearer once the structural reviews are completed in the next month or two. For the budgeted savings in 2016/17 officers are aware of the risk of this figure not being achieved in this current year and various actions are being taken to manage this risk.

### Underspends

#### My and My Learning £16,300

Salary savings, one mentor is currently on long term sick and another is not in the pension scheme.

- 3.9 Following the successful Proceeds of Crime Act case in respect of two defendants as a result of benefit fraud, Melton Borough Council has received £56,373.63 additional monies after outstanding housing benefit and council tax benefit overpayment invoices have been settled. A further £25,000 is due following a legal costs order, it is not yet known when these monies will be received. It is recommended these additional monies be transferred into the Spending Pressure Reserve. It was agreed at a meeting of this committee on 12 July 2016 to set up this reserve, which is to be utilised to help balance the budget whilst steps are taken to generate the necessary efficiencies required for a longer term sustainable solution. The current balance on this reserve is £72,000.

### **4.0 POLICY AND CORPORATE IMPLICATIONS**

- 4.1 Policy and corporate implications were addressed in setting the current year's budget. There are no further policy and corporate implications arising from this report.

### **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 The main financial and resource implications have been addressed within section 3.

### **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

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### **7.0 COMMUNITY SAFETY**

7.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

### **8.0 EQUALITIES**

8.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

### **9.0 RISKS**

9.1 The regularity of budget monitoring for each specific budget is based on the level of risk attributed to that budget. This is determined at the start of the financial year and is reported to members as part of the Council Tax setting report.

### **10.0 CLIMATE CHANGE**

10.1 There are no climate change issues arising from this report.

### **11.0 CONSULTATION**

11.1 Budget Holders and the Service Accountant discuss the financial performance of the service accounts at budget monitoring meetings arranged with reference to current budget monitoring protocols.

### **12.0 WARDS AFFECTED**

12.1 All wards are affected.

Contact Officer: Claire Burgess

Date: 15<sup>th</sup> August 2016

Appendices: Appendix A – Summary of Income & Expenditure- All Committees  
Appendix B – Budget Monitoring – Key Service Areas  
Appendix C – Summary of Income & Expenditure- PFA

Background Papers: Oracle Financial Reports  
Budget Holder Comments on Performance

Reference: X:/Cttee, Council & Sub Cttees/PFA/2016-17/280916/Budget Monitoring April to June 2016